

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: June 21, 2010

POSITION: Neutral

SPONSOR: California Mental Health Directors Association

BILL NUMBER: AB 2645

AUTHOR: W. Chesbro

RELATED BILLS: Chapter 875,
Statutes of 2004;
Chapter 508,
Statutes of 2005

BILL SUMMARY: Institutes of Mental Disease-Skilled Nursing Facilities

This bill would implement a two-year freeze on the reimbursement rate paid to institutions for mental disease (IMDs) that are licensed and certified as skilled nursing facilities (SNFs). This bill includes an urgency clause that would take effect immediately in 2010-11.

FISCAL SUMMARY

This bill would have no fiscal impact on the state; however, counties estimate annual savings of \$3 to \$5 million annually while the rate freeze is in effect.

COMMENTS

Finance is neutral on this bill because there is no fiscal impact to the state, and the proposed rate freeze would be temporary. We note this bill would only amend Welfare and Institutions Code section 5912, which addresses the reimbursement rate paid to IMD-SNFs. A similar section, 5902, is not proposed to be amended as part of this bill, which would create an inconsistency.

As part of the state-local realignment in 1991, the financial responsibility and funding for providing services to patients in IMDs, among other responsibilities, was shifted to counties. The realignment funds for such programs are estimated to decrease by approximately eight percent from 2008-09 to 2009-10 and increase by approximately five percent from 2009-10 to 2010-11.

An IMD is defined in federal regulations as, "a hospital, nursing facility, or other institution of more than 16 beds that is primarily engaged in providing diagnosis, treatment, or care of persons with mental diseases." Psychiatric hospitals, SNFs, and intermediate care facilities may all be classified as IMDs depending upon the number of beds designated for the treatment of severe mental illness. Federal Medicaid law prohibits Medicaid funds from being used to provide care to Medicaid beneficiaries in IMDs. Many individuals in need of SNF level care are Medi-Cal eligible beneficiaries, but the federal IMD exclusion prohibits county mental health plans from billing Medi-Cal for services provided by an IMD. Consequently, counties must pay for the cost of these services from realignment funds.

Existing statute requires that the reimbursement rate for IMDs increase by 4.7 percent annually. This bill would freeze the reimbursement rate at the rate that was in effect on July 1, 2009, and would specify that the rate would be frozen for a two-year period from July 1, 2010 through June 30, 2012.

The County Mental Health Directors Association, which sponsored this bill, contends that a rate freeze will bring conformity to the reimbursement rates paid to licensed facilities, and will allow the use of realignment funds for other mental health services. Rates for most licensed facilities were frozen at 2008-09 levels as part of the Budget Act of 2009. However, IMD-SNFs were excluded from this freeze.

Analyst/Principal (0522) C. Castaneda	Date	Program Budget Manager Lisa Ann L. Mangat	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

BILL ANALYSIS	Form DF-43 (Rev 03/95 Buff)
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BILL ANALYSIS/ENROLLED BILL REPORT--(CONTINUED)**Form DF-43****AUTHOR****AMENDMENT DATE****BILL NUMBER**

W. Chesbro

June 21, 2010

AB 2645

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)							
	LA	(Dollars in Thousands)							
	CO	PROP							Fund
	RV	98	FC	2010-2011	FC	2011-2012	FC	2012-2013	Code
4440/Mental Hth	LA	No	----- No/Minor Fiscal Impact -----						0001